

Exhibit Z



GOVERNOR OF PUERTO RICO

Ricardo Rosselló Nevares

June 20, 2017

Mr. José B. Carrión

Chair

Financial Oversight and Management Board

Dear Mr. Chairman:

We have received your letter, dated June 16, 2017 (the "Letter"), in which the Financial Oversight and Management Board for Puerto Rico (the "Board") states that "we are at a critical juncture that requires that we collectively strengthen [our] resolve" towards the successful implementation of the *Puerto Rico Oversight, Management, and Economic Stability Act* ("PROMESA") while raising concerns that: (1) the collaborative efforts between the Board and the Government of Puerto Rico (the "Government") may be waning; and (2) recent public discourse mischaracterizes the dire fiscal situation facing Puerto Rico.

As an initial matter, we find the letter to be confusing and in many respects troubling. The allegation that the Government has not been publicly forthright with respect to Puerto Rico's financial and economic crisis is simply untrue. Moreover, the letter ignores the Government's good-faith efforts and accomplishments in meeting the short deadlines for submissions to the Board of the Fiscal Plan and Budget (each as defined below), including producing extensive back-up documentation. Additionally, the Government has made available its staff, professionals, and advisors to assist in the preparation for filing Title III cases and the Board's subsequent prosecution of those cases. Putting aside the Letter's mixed and ambiguous messaging, the Government assumes that the Board is sincere in its desire "to continue working with [the Government] and the Legislature to accomplish the considerable remaining requirements and goals of PROMESA." On the basis that the goals of the Board and the Government should be truly the same, we write in response to the Board's concerns.

The Letter asserts that the "close and positive collaboration between the Board and the administration—and their respective teams of advisors—may be receding." This statement does not reflect reality, especially, when considering that for the past few months the Government, Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF"), the Department of Treasury of Puerto Rico (the "Treasury Department"), and the Puerto Rico Office of Management and Budget (the "OMB"), and their advisers have held, and continue to hold, meetings and conference calls on a daily basis with the Board's advisors in order to complete and certify the 2017-2018 fiscal budget (the "Budget").



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Furthermore, the letter seems to suggest that the Government is oblivious to the severity of the fiscal crisis confronting Puerto Rico. In that regard, the Board has failed to recognize or acknowledge the many significant actions taken by the Government over the last six months, beyond those required by PROMESA and the Board, directed at correcting Puerto Rico's dire financial situation.¹ All of these actions have called upon the people of Puerto Rico to bear their fair share of sacrifices necessary to address the crisis.

The Government is fully committed to taking all necessary measures in order to achieve the certification of the Budget in time for the start of the 2017-2018 fiscal year pursuant to PROMESA and in conformance with the March 13, 2017's certified fiscal plan, as amended (the "Fiscal Plan"). This commitment also includes working toward the timely Board certification of the corresponding liquidity and implementation plans (the "Liquidity and Implementation Plans") which are indispensable for the effective implementation of both the Fiscal Plan and the Budget.

As you correctly note, "[t]ransparency is a guiding principle specifically mandated by PROMESA . . . [and is] a guiding principle of the Governor's administration." However, we disagree with your assertion that the Government has failed to live up to its own principle of transparency, stating that "some of the narrative taking hold in the public discourse fails to characterize adequately the truly dire fiscal situation the Commonwealth is facing, thus leading the public to underestimate the true nature and

¹ These actions include: (i) directing government agencies to cut their total fiscal year 2017 budgets by 10% from January to June 2017 pursuant to Executive Order 2017-001; (ii) creating a Center for Federal Opportunities within the Governor's office to provide consulting services to agencies and NGOs to better take advantage of federal funding opportunities pursuant to Executive Order 2017-002; (iii) declaring an infrastructure state of emergency and providing an expedited process for approval and implementation of critical infrastructure projects pursuant to Executive Order 2017-003; (iv) creating an interagency group to coordinate work by various agencies to streamline permitting and regulatory approvals for critical infrastructure projects pursuant to Executive Order 2017-004; (v) establishing a public policy requirement that government agencies have zero-based budgets starting in fiscal year 2018 pursuant to Executive Order 2017-005; (vi) ordering additional budget cuts of 5% in all Government acquisitions, pursuant to Executive Order 2017-009; (vii) enacting Law 3-2017, which allows for taking immediate emergency and cost cutting measures to reduce the Government's operating expenses; (viii) enacting the *Puerto Rico Financial Emergency and Fiscal Responsibility Act* (Act 5-2017), which amended the prior Act 21-2016 to prioritize essential services over debt payments and extended the emergency period for revenue clawbacks to August 1, 2017 pursuant to Executive Order 2017-31; (ix) directing executive branch agencies to submit reports detailing steps taken and savings achieved under fiscal control orders pursuant to AAFAF Administrative Order 2017-02; (x) authorizing AAFAF, the OMB, and the Treasury Department to supervise the implementation of the budget control measures, pursuant to Executive Order 2017-033; (xi) enacting Law 8-2017, which allows for the transfer of workers across the Government to save \$100 million through mobility and attrition; (xii) enacting Law 20-2017, which consolidates law enforcement and other public safety agencies under a Public Safety Department, saving \$25 million; (xiii) enacting Law 25-2017, which provides measures for enforcing collection of sales taxes on internet transactions to generate \$35 million to \$55 million in new revenue; and (xiv) enacting Law 26-2017, which levels out marginal benefits across the Government and its instrumentalities to generate \$130 million in savings, increase revenues, and expedite the process of asset disposition.



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impact of some of the fiscal responsibility measures mandated in the fiscal plan.” From this administration’s first day in office, the Government has at all times been transparent with both the Board, its creditors, and the people of Puerto Rico. In fact, on June 15 the Board filed a status report in the Commonwealth’s Title III cases stating that AAFAF has opened a dataroom and provided detailed disclosure to creditors regarding the Government’s financial situation.²

Indeed, the local media’s reporting with respect to the Government’s supposed enhanced liquidity situation was unexpected. However, in response to those reports, AAFAF quickly emphasized in a press release projected liquidity therefrom as reflected in the latest TSA report were due to *“extraordinary and non-recurrent”* and *“do not represent that the Government of Puerto Rico is in a better financial position”* (emphasis added). AAFAF’s press release contained a clear warning that the Government’s recent measures would not put Puerto Rico in a better financial position. In addition, the media appearances on behalf of the Government quickly and diligently explained why the liquidity numbers being reported by the local media should *not* be construed in any way to suggest that the Commonwealth is now in a better financial position.

The Oversight Board, in its oversight capacity, has not requested the Government to publically disclose any information that should have been properly disclosed in connection with the Fiscal Plan or budgetary process. Nor is the Government aware of any statements or actions it has taken to date that would indicate a lack of diligence or effort in transparently providing critical financial information to the Board and all interested parties. More so, this administration’s commitment to transparency is unequivocally demonstrated by his sponsorship of Senate Bill 561/House Bill 1095 (A-034), pending before the Puerto Rico Legislative Assembly, for establishing a statutory right for citizens to request access to all public records. Furthermore, and within days after taking office, this administration instructed Government agencies to timely respond to requests for access to public records, pursuant to Executive Order 2017-010.

The Letter also requests the Government “to make and communicate as soon as possible the necessary public policy determinations with respect to what it understands constitute ‘essential services’ in the context of PROMESA.” We respectfully draw the Board’s attention to the fact that the Board approved and certified the Fiscal Plan submitted to it by the Government, which was premised upon ensuring the “funding of essential public services.” See PROMESA § 201(b)(1)(B). Unfortunately, the letter conveys the impression that the Government and the Board did not work closely together in determining the resources necessary to fund essential public services and were not in agreement as to the necessary level of funding to ensure that essential public services be

² See Debtors’ Status Report Regarding (A) Financial Disclosures to Creditors and (B) Status of Settlement Discussions, *In re Commonwealth of Puerto Rico*, Case No. 17 BK 3283-LTS (D. P.R. Jun. 15, 2017) [D.I. 350], at ¶¶ 14-15.



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made available under the Budget. In fact, the Government is currently, and will continue, working with the Board to finalize the fiscal year 2018 Budget, which will make approximately \$1 billion in expenditure cuts, including education and health, as mandated by the Fiscal Plan.

While we acknowledge and appreciate the extra time that the Board provided to the Government to develop the Fiscal Plan and Budget, we wish to remind each Board member that the Government has accommodated the Board at every turn, including by submitting the Fiscal Plan to the Board within the first 58 days of this administration and accommodating the Board's strongly held views regarding revenue projections and subsequent amendments to the Fiscal Plan.

The Government remains fully committed to working with the Board on the successful implementation of the Fiscal Plan and its continued compliance with the statutory provisions of PROMESA, including the certification of the Budget and the Liquidity and Implementation Plans that comply with all of the Board's requirements. Toward that end, the Government will continue to work cooperatively with the Board to accomplish the goals of PROMESA and to put Puerto Rico on the path towards sustainable economic growth and fiscal responsibility. We look forward to continue in this close collaboration for the benefit of the People of Puerto Rico and all stakeholders.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ricardo A. Rosselló Nevares".

Honorable Ricardo A. Rosselló Nevares
Governor of Puerto Rico

A handwritten signature in blue ink, appearing to read "Thomas Rivera Schatz".

Honorable Thomas Rivera Schatz
President of the Senate of Puerto Rico

A handwritten signature in blue ink, appearing to read "Carlos J. Méndez Nuñez".

Honorable Carlos J. Méndez Nuñez
Speaker of the House of Representatives of Puerto Rico

cc. Andrew G. Biggs
Carlos M. García
Arthur J. González



GOVERNOR OF PUERTO RICO

Ricardo Rosselló Nevares

José R. González
Ana J. Matosantos
David A. Skeel, Jr.
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